

**SUMMARY OF THE REGULAR MEETING OF THE  
ARIZONA STATE RETIREMENT SYSTEM  
EXTERNAL AFFAIRS COMMITTEE**

**HELD ON  
Friday, November 4, 2005  
10:00 a.m., MST**

The External Affairs Committee (EAC) of the Arizona State Retirement System (ASRS) met in regular session in the 14<sup>th</sup> Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, AZ, 85012. Mr. Jaime Gutierrez, Chairperson, called the meeting to order at 10:02 a.m.

This meeting was teleconferenced to the ASRS Tucson office at 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona, 85710.

**1. Call to Order; Roll Call; Opening Remarks**

Present:       Mr. Jaime Gutierrez, Chairperson  
                  Mr. Steven Zeman, Vice-Chairperson  
                  Dr. Keith Meredith - Teleconferenced  
                  Mr. Christopher Harris

A quorum of the Committee was present for the purpose of conducting business.

**2. Approval of Minutes of the October 7, 2005, EAC Meeting**

Dr. Meredith moved that the External Affairs Committee approve the minutes of the October 7, 2005 EAC meeting.

Mr. Zeman seconded the motion.

The motion passed unanimously.

**3. Presentation, Discussion, and Appropriate Action Regarding ASRS Administrative Rules, the Past, Present and Future.** Mr. Patrick Klein, Assistant Director, External Affairs and Ms. Nancy O. Johnson, ASRS Rules Coordinator presented a brief informational presentation regarding the ASRS Administrative Rules. Few rule changes had been made in the past 18 years prior to hiring a full-time rules coordinator in 2003. Ms. Johnson has increased the number of ASRS rules from 17 to 41 and from 1 article to 4 articles in the Arizona Administrative Code. See attached rule handout for details.

Eventually there will be 10 articles:

- Article 1 R2-8-101-126 Defined Benefit Plan
- Article 2 R2-8-201-207 ASRS Defined Contribution Program – System
- Article 3 R2-8- 300 Employee Membership
- Article 4 R2-8- 400-405 Practice and Procedure before the Board
- Article 5 R2-8- 501-521 Purchasing Service Credit
- Article 6 R2-8- 600 Public Participation in Rulemaking
- Article 7 R2-8- 700 Contributions Not Withheld
- Article 8 R2-8- 800 Employer Membership
- Article 9 R2-8- 900 Retirement and Survivor Benefits
- Article 10 R2-8-1001 LTD Program; Definitions; Actuarial Assumptions; Calculations

4. **Presentation, Discussion, and Appropriate Action Regarding Possible Legislation for the 2006 Legislative Session.** Mr. Patrick Klein and Ms. Denisse Gee, Government Relations Officer reviewed the public policy initiatives that will be introduced as legislation in the 2006 Legislative Regular Session. There was discussion on other public policy issues that may be proposed as legislation by other entities.

- **Pop Up/Pop Down** – Could mitigate upward pressure on the pension contribution rates and eligibility – Could be 18 basis points for both the employer and the employee if 100% of all eligible individuals (i.e., all retirees who chose the Joint Survivor or Term-Certain annuity option) engage in the rescinding action. Additionally, there could be the potential for more actuarial cost if individuals who ordinarily would have chosen the straight line annuity (no ability to rescind) chose an annuity option that accommodates the rescinding action.
- **Long Term Disability (LTD)** – Could mitigate upward pressure on the LTD contribution rate 16 basis points on both the employee and employer side.
- **Bills that may be submitted by other entities**
  - Graded Multiplier
  - Spousal Consent/Acknowledgement/ Notification
  - Rural Subsidy Extension
  - Contribution Rates/ DC Plans
  - Early Retirement Window
  - Continuation of the ASRS Past 10 Year Sunset Date
- ASRS Sunset Hearing will be held on November 10, 2005 at 10:00 a.m. at the AZ House Hearing Room 5. This meeting has been rescheduled for December 1, 2005.
- Representative McClure, the Chairperson of Public Institutions & Retirement and Senator Martin, Chairman of Finance will sponsor the ASRS proposed bills in 2006.

Additional appointments will be made with the other committee members in the coming months to educate them on the proposed ASRS bills.

5. **Presentation, Discussion, and Appropriate Action Regarding the 2006 EAC Meeting Schedule.** Mr. Patrick Klein explained that the EAC schedule will be the same as the Board schedule in 2006. EAC will not meet in January or June because there are no Board meetings scheduled for those months. Summer meetings were included on the EAC schedule and can be canceled if the chairman determines that there aren't enough agenda items to warrant a meeting.

Mr. Zeman moved that the External Affairs Committee approve the EAC 2006 Meeting Schedule.

Mr. Harris seconded the motion.

The motion passed unanimously.

6. **Presentation, Discussion, and Appropriate Action Regarding the Employer Relations Annual Conferences, Workshops and Meetings.** Mr. Patrick Klein and Ms. Michele Briggs, the Employer Relations Manager presented the Employer Conference totals for 2005.

Five hundred and ninety seven (597) participants representing 740 Arizona employers attended the 23 conferences held in Phoenix, Tucson and in Rural Arizona. Sixty eight (68) new employer staff attended the *ER 101* workshops, 7 potential employer presentations were held, and 7 meetings were held by request of the employer. The new Employer Manual and tri-fold informational pocket folder with 5 Fact Sheets was distributed to all who attended the conferences. The Committee compliments Ms. Briggs and her team for doing an excellent job with the employers.

7. **Presentation, Discussion, and Appropriate Action Regarding Outside Solicitations by non-ASRS Companies to the ASRS Members.** Mr. Patrick Klein and Mr. David Cannella, Manager of Communications and Media Relations, presented information related to private companies that solicit information and/or business from ASRS members. Mr. Cannella explained the steps the ASRS has taken to inform ASRS members of these unsolicited emails and mailings, and its ongoing efforts to advise members to guard their personal information and seek advice from trusted advisors when making retirement decisions.

An article on this subject appeared in the October 21, 2005 edition of The Arizona Republic that focused on one company in particular, Financial Health Research Institute of Newport Beach, CA. This firm, which has contacted ASRS members and publishes its own "Guide to the ASRS," has requested a meeting with the ASRS. It was decided that the Arizona Attorney General's Office will respond to the request with a letter making clear the ASRS position that it does not review or endorse materials generated by private companies.

8. **Future EAC Agenda Items** ..... Mr. Jaime Gutierrez
- 1.) The next EAC will be on Friday, December 2, 2005, at 10:00 a.m.
- 2.) Continued discussion of the ASRS bills and other related bills.

9. **Call to the Public** .....Mr. Jaime Gutierrez

No members of the public addressed the Committee.

## 10. Adjournment of the ASRS External Affairs Committee

Mr. Gutierrez moved that the External Affairs Committee adjourn.

Dr. Meredith seconded the motion.

The motion passed unanimously.

Mr. Jaime Gutierrez, Chairperson of the EAC adjourned the November 4, 2005 meeting at 11:10 a.m.

Respectfully Submitted by,

Michelle Fink  
Committee Secretary

Date

Patrick M. Klein  
Assistant Director, External Affairs